

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
DEFENSE ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT
ASSET MANAGEMENT PILOT PROJECTS**

**OFFICE OF WORKER AND COMMUNITY TRANSITION
PROGRAM MISSION**

MISSION

The mission of the Asset Management program is to identify and encourage the disposition of assets that are no longer needed within the Department of Energy (DOE); one means is through asset management pilot projects. The Department owns one of the largest industrial complexes in the nation. According to the General Services Administration, the Department is responsible for the largest government-owned industrial complex in the country, comparable to the largest of America's corporations. Due to reduced missions, primarily as a result of the end of the Cold War, much of the Department's property is excess and maintaining it is resulting in an unnecessary financial burden to programmatic budgets.

Our vision is:

- develop strong private-public partnerships;
- dispose of unneeded assets using private sector models;
- reduce mortgage costs associated with the remaining DOE asset base;
- support Federal budget deficit efforts; and
- encourage more diversified economies in neighboring communities.

Programmatic goals in support of this vision include:

- support Federal budget deficit reduction goals by contributing \$15 million per year for a five year period;
- reduce the costs of operating the DOE complex by leveraging unneeded assets; and
- assist local economic development activities by working cooperatively with local officials.

STRATEGY

Two strategies are being employed to achieve programmatic goals. These include:

- developing an inventory of assets which can be quickly divested; identifying and solving obstacles for quick divestiture; and moving aggressively on implementing the sales and disposition strategy for those assets; and
- identifying innovative approaches to asset disposition consistent with programmatic goals; developing these approaches into pilot projects; and implementing these pilots while tracking all proceeds, expenditures, and projected cost reductions accruing to the Department.

PERFORMANCE MEASURES

The performance measure for asset management is based upon achieving asset management goals.

- **DEFICIT REDUCTION:** Return at least \$15 million annually in net proceeds from asset sales to the Treasury during Fiscal Years 1998 and 1999.

SIGNIFICANT ACCOMPLISHMENTS

The Department's asset management effort was announced in May 1995 as part of the Department's Strategic Alignment Initiative. Since that announcement, the effort has:

- identified \$30 million in net proceeds from asset sales which will go to Federal deficit reduction goals;
- developed a report of unneeded assets potentially available for sale/transfer;
- supported DOE field office efforts to identify other asset disposition opportunities, including a transfer of chloro-fluorocarbons (CFCs) to the Department of Defense to minimize their cost of obtaining required inventories while reducing DOE site operating costs;
- fostered the development of the DOE Precious Metals Business Center at Oak Ridge to focus on disposition of excess precious metals and facilitate the orderly management of DOE precious metals inventory;
- encouraged the recycling of precious metals from dismantled nuclear weapons at Pantex, returning over \$1 million from a \$120,000 investment;
- conducted a study of the capabilities of the field offices to support disposition inventory efforts;
- conducted a study focused on identifying incentives to disposition;
- joined the inter-agency Market Impact Committee to minimize market disruptions due to DOE asset sales;
- worked with the Department of Defense to identify means to implement statutory provisions designed to support the National Defense Stockpile;
- helped establish procedures for identifying and properly managing property which has proliferation and other high risk potential.

ASSET MANAGEMENT PILOT PROJECTS

A portion of the Departmental asset base requires major efforts to ready them for disposition. Under current governmental practices, these assets are often considered liabilities and expenditures of appropriated funds would be considered for proper disposal. However, these assets generally do not meet the health or safety risk or legal compliance priority sufficient to achieve funding under conventional program accounts. One strategy proposed by the Asset Management Program is to leverage these assets to pay for their own disposition, thereby realizing an overall reduction in the cost of operating and maintaining the remaining asset base, and often assisting in diversifying local economic opportunities. Leveraging, in this instance, refers to using the value of the asset to acquire required services such as preparation and decontamination costs. These efforts are packaged as pilot projects which are designed to be viable, self-financing efforts with defined objectives. They do not require additional funds (i.e., no new budget authority), but rely on their ability to provide funds through sales or leasing to perform required project related efforts. .

The Department put forth six such pilot projects for initiation in fiscal year 1998. The continuation of these six pilot projects in fiscal year 1999 are the subject of the remainder of this budget. These projects include:

- Heavy Water Sale (Savannah River)
- Disposition from the Precious Metals Pool (Oak Ridge)
- Hanford Facilities Reuse (Richland)
- Facilities Reuse (Savannah River)
- Disposition of Unneeded Assets (Rocky Flats)
- National Electronics Recycling Pilot Project (Oak Ridge)

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PROJECTED RECEIPTS AND FUNDING BY FISCAL YEAR 1/
(Dollars in thousands)

Receipts		FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Sale of Heavy Water	Savannah River	\$0	\$26,580	\$24,980	\$15,950	\$10,500	\$0
Disposal from Precious Metals Pool	Oak Ridge	\$0	\$1,657	\$0	\$0	\$0	\$0
Hanford Facilities Reuse	Richland	\$0	\$80	\$208	\$303	\$830	\$1,005
Facilities Reuse	Savannah River	\$0	\$705	\$1,115	\$1,440	\$1,644	\$1,644
Disposition of Unneeded Assets	Rocky Flats	\$0	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
National Electronics Recycling Pilot	Oak Ridge	\$0	\$0	\$0	\$0	\$0	\$0
Total Receipts		\$0	\$38,022	\$35,303	\$26,693	\$21,974	\$11,649
<u>Program Funding:</u>							
Asset Management Pilots <u>2/</u>		\$0	\$19,047	\$21,371	\$19,086	\$12,054	\$10,827
Returned to U.S. Treasury		\$0	\$18,975	\$13,932	\$7,607	\$9,920	\$822
Additional Funding (New BA)		\$0	\$0	\$0	\$0	\$0	\$0

1/ Revenue estimates and timing are subject to change due to market conditions

2/ Sales, leases, and disposition related expenses

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PROGRAM FUNDING BY SITE 1/
(Dollars in thousands)**

<u>Plant/Installation</u>	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Savannah River	\$0	\$11,305	\$14,863	\$12,483	\$4,924	\$822
Oak Ridge	\$0	\$1,362	\$0	\$0	\$0	\$0
Richland	\$0	\$80	\$208	\$303	\$830	\$1,005
Rocky Flats	\$0	\$6,300	\$6,300	\$6,300	\$6,300	\$9,000
Total Program	\$0	\$19,047	\$21,371	\$19,086	\$12,054	\$10,827

1/ Consists of expenses for preparing sales and leases and for other disposition related activities

**DEFENSE ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT
ASSET MANAGEMENT PILOT PROJECTS**

SALE OF HEAVY WATER (SAVANNAH RIVER)

I. Mission Supporting Goals and Objectives:

This Pilot includes upgrading an inventory of excess heavy water to sales specification quality, and sale of that inventory. This Pilot is designed to use funds from the sale of these assets for deactivation, decontamination and decommissioning of facilities at the Savannah River Site (SRS) to reduce outyear surveillance, maintenance and other costs of carrying the mortgage associated with DOE facilities.

The gross revenue from the heavy water sale is estimated at \$78 million over four years. The cost of preparing the water for sale and other operating costs is estimated to be about \$40 million. As currently planned, the processing and delivery of the heavy water will take three years to complete.

The Pilot supports the Asset Management goal of reducing the costs of operating the DOE complex by leveraging excess assets to reduce inventories and to perform required decontamination and decommissioning of related facilities. Absent this Pilot, high-tritium heavy water in excess of Departmental needs would be stored at the site until a decision on disposition is made at an indefinite future time. Without the sale and subsequent application of net revenues, the Department would lose the opportunity to accelerate the reduction of costs of maintaining idle facilities. Additionally, the Department would continue to incur costs of storing the water itself. The DOE would realize a savings of about \$25.4 million during the FY 1999-2002 period in management costs associated with the heavy water inventory and facilities.

II. Funding Schedule:

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
revenues from sales	\$0	\$26,580	\$24,980	\$15,950	\$10,500	\$0
less sale-related expenses	\$0	\$10,600	\$14,100	\$11,600	\$4,000	\$0
Subtotal	\$0	\$15,980	\$10,880	\$4,350	\$6,500	\$0
less returned to Treasury	\$0	\$15,980	\$10,880	\$4,350	\$6,500	\$0
New BA	\$0	\$0	\$0	\$0	\$0	\$0

III. Performance Summary - Accomplishments:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>Sale</u>	\$0	\$10,600	\$14,100

DOE will implement the sale. First shipments under the contract are to be from inventories of "clean" water. Funds will be used to prepare the remaining inventories for sale.

DEFENSE ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT ASSET MANAGEMENT PILOT PROJECTS

DISPOSAL FROM THE PRECIOUS METALS POOL (OAK RIDGE)

I. Mission Supporting Goals and Objectives:

This Pilot would allow DOE to integrate the precious metals recovery operations into the overall Precious Metals Business Center, thus allowing recovered metal to be used to help meet inventory needs. Specifically, the Center would have the ability either to use directly recovered metal to meet forecasted needs. DOE has authority to use proceeds from the sales to pay for administrative costs incurred by the business center, preparation costs such as screening, packaging, decontaminating, refining, and associated transportation, and other direct costs of the sale such as brokers fees, advertising, and transportation or delivery fees or to reimburse programs for such costs that have been incurred in anticipation of the sale.

The Center manages the DOE-wide precious metals pool, assessing and meeting DOE precious metal requirements. Precious metals above requirements are sold with revenues accruing to the U.S. government. Where requirements exceed inventory, DOE buys precious metals from the market. Except for gold, inventory levels within the Precious Metals Business Center currently are below forecasted requirements in FY 1998 and beyond. Thus, the FY 1998 sale is expected to be composed solely of gold, with purchases of platinum and silver, and small amounts of palladium, rhodium, and iridium during that year. For FY 1999, inventories of all metals are currently forecasted in deficit, the largest of which is for platinum (about \$500 K shortfall).

The Pilot supports the Asset Management goal of reducing the costs of operating the DOE complex by leveraging excess assets to recover additional precious metals from waste streams. Significant amounts of precious metals are found in scrap throughout the complex, currently requiring appropriated funds for recovery efforts. During FY 1996, DOE used \$120,000 to recover nearly \$850,000 of precious metals and avoid about \$160,000 of hazardous waste disposal costs from electronic scrap taken from dismantled nuclear weapons. During FY 1998, DOE is expanding that effort to include scrap from facility close-down activities and from contaminated precious metals scrap. In FY 1998, DOE expects to recover 7,700 troy ozs. of precious metals, primarily gold, silver, and platinum, valued at \$1.55 M.

II. Funding Schedule:

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
revenues from sales	\$0	\$1,657	\$0	\$0	\$0	\$0
less recovery costs	\$0	\$1,000	\$0	\$0	\$0	\$0
less administrative costs	\$0	\$362	\$0	\$0	\$0	\$0
Subtotal	\$0	\$295	\$0	\$0	\$0	\$0
less returned to Treasury	\$0	\$295	\$0	\$0	\$0	\$0
New BA	\$0	\$0	\$0	\$0	\$0	\$0

III. Performance Summary - Accomplishments:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>Administrative Costs (Business Center Management)</u>	\$0	\$362	\$0

The Business Center has surveyed all DOE field offices to determine precious metal inventory levels and outyear precious metals requirements. This survey, which forms the basis of outyear sales and purchases, will be maintained and updated annually.

Recovery

	\$0	\$1,000	\$0
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During FY 1998, funds will be used by the Business Center for additional recovery operations at the Pantex site and for recovery of contaminated precious metals. In addition, funds will allow the Business Center to extend recovery operations to excess equipment coming out of the Western Energy Technology Center (WETO) which DOE privatized at the end of FY 1996. The Business Center will also advertise their capability and successes throughout the complex in an attempt to identify additional candidate scrap.

During FY 1999, DOE is not currently expected to selling precious metals. Thus, at this time, the pilot project is expected to be put on hold pending identification of additional unneeded precious metals.

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>Sales</u>	\$0	\$0	\$0

The first sale of precious metals under the Precious Metals Business Center was consummated in FY 1996. Excess platinum inventories were made available to the proposed DOE National Ignition Facility (NIF). Arrangements were made with the Department of Defense to lease additional inventories of platinum to complete the NIF requirements.

During FY 1998, the Business Center expects to conduct sales consisting primarily of excess gold. Funding in FY 1998 will be used to purchase platinum where requirements have been identified above existing inventory levels.

During FY 1999, DOE is not currently expected to selling precious metals. Thus, at this time, the pilot project is expected to be put on hold pending identification of additional unneeded precious metals.

DEFENSE ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT ASSET MANAGEMENT PILOT PROJECTS

HANFORD FACILITIES REUSE (RICHLAND)

I. Mission Supporting Goals and Objectives:

This Pilot involves efforts necessary to bring facilities in the 1100 and 300 Areas of Hanford into a leasable and/or saleable condition and the leasing/sale of those facilities to private concerns and the disposition of unneeded equipment and material throughout the site. Proceeds from an existing lease within the Pilot area (building 313) would be used to bring facilities in the 1100 area into a leasable condition. Lease revenues from these facilities and the existing leased facility in the 300 Area would be used to clean up land and facilities in the 300 Area in preparation for their leasing. As facilities are leased in the 300 Area, lease revenues from these facilities will be added to the Pilot for further facility cleanup activities in the 300 Area.

Area 300 has 260 structures on approximately 280 acres one half mile north of the city limits. All structures have been identified and characterized. Facility risk and cost assessments are largely completed. Requested use of lease revenues will start remediation actions. Area 1100 has 5 major structures on approximately 2.5 square miles, and borders on the city. Area 1100 is serviced by the southern spur of the DOE railroad, which connects to an active Union Pacific line. Area 1100 has been designated clean by the U.S. EPA.

Market analyses in the area show a shortage of larger, light industrial and laboratory structures of the type included within the Pilot. DOE's experience with commercial leasing of Kaiser Aluminum Corp. in Area 300 demonstrates the proof of concept. In that lease, the Federal government realizes \$144 K per year and the lessee has agreed to replace the building roof at an estimated \$130 K. Estimated revenues from this Pilot are \$80 K in FY 1998, rising to \$208 K in FY 1999, and increasing to \$1,005 K by FY 2002, for a 5 year cumulative total revenues of \$2.4 million.

The Pilot supports the Asset Management goal of reducing the costs of operating the DOE complex by leveraging excess assets to off-load operating and maintenance costs and to perform required associated facility cleanup. DOE will realize an estimated \$9.9 M of savings in facility operating and maintenance costs during the FY 1999-2002 period. In addition, this approach is expected to reduce cleanup costs in the 300 Area. This Pilot also supports the goal of assisting local economic development activities by providing potential alternative employment opportunities in the Tri-city area.

II. Funding Schedule:

<u>Program Activity</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
revenues from leases/sales						
less expenses to prepare leases/sales	\$0	\$80	\$208	\$303	\$830	\$1,005
New BA	\$0	\$80	\$208	\$303	\$830	\$1,005
	\$0	\$0	\$0	\$0	\$0	\$0

III. Performance Summary - Accomplishments:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>Prepare for Leasing/Sales</u>	\$0	\$80	\$208

During FY 1996, DOE Richland issued its first lease to a private commercial entity in the Pilot area. This lease, issued to Alcoa Aluminum, was for building 313. The tenant has also performed necessary repairs to the building, thus saving DOE that expense. This experience has convinced DOE of the benefits to the Government of entering into such arrangements.

During FY 1997, DOE Richland initiated preparations for the Facilities Reuse Pilot and continued identifying potential tenants. Leasing began in FY 1998, with initial focus on clean buildings in the 1100 area, with a goal of leasing in FY 1998 of 58,000 square feet (including building 313).

Funds will be used for facility preparation and related site cleanup efforts in preparation for leasing/sales in FY1999. Typical costs include: 1) lease marketing/sales costs; 2) lease preparation and closure costs (including DOE high risk reviews, safety and environmental analyses; license and permit preparation; procedure writing and site-lessee interface documentation; and legal and procurement/lease support documentation); 3) site radiological and hazardous materials cleanup; 4) waste removal costs; 5) process equipment removal and/or relocation costs; 6) utility

repair/refurbishment; 7) roof and other building repairs and partitioning of lease areas from other site responsible areas; and 8) related site preparation work.

Funds will also be used to carry out radiation monitoring, utility disconnection, crating, packaging, and associated labor as well as other high risk reviews of personal property to be sold or otherwise disposed of and to carry out other disposal activities necessary to disposal.

DEFENSE ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT ASSET MANAGEMENT PILOT PROJECTS

FACILITIES REUSE (SAVANNAH RIVER)

I. Mission Supporting Goals and Objectives:

This Pilot involves efforts necessary to bring facilities in the TNX and M Areas of the Savannah River Site into a leasable and/or saleable condition and the leasing/sale of those facilities to private concerns and the disposition of unneeded equipment and material throughout the site. Leasing in the TNX Area would include process, warehouse, and laboratory areas. Leasing in the M Area includes manufacturing, laboratory, and administrative facilities.

Market analyses in the Savannah River area have been developed for estimating potential revenue generation. These analyses suggest that the Department can realize \$4/square foot for process and warehouse buildings, \$5/square foot for administrative buildings, and \$35 for laboratory buildings. These analyses also suggest that occupancy rates ultimately would range from 80-100% at the TNX Area to 40-80% in the M Area.

Proceeds would be used to bring targeted facilities into a leasable condition, to maintain that condition in accordance with negotiated leases with private parties, and to perform deactivation and other such activities on buildings in the pilot project area. Some examples of the efforts required include the repair and maintenance of applicable utility infrastructure; building maintenance such as roof repair, and decontamination. Estimated revenues from this Pilot are \$705 K in FY 1998, rising to \$1,644 K by FY 2001, for a 5 year cumulative total of \$6,548 K.

The Pilot supports the Asset Management goal of reducing the costs of operating the DOE complex by leveraging excess assets to off-load operating and maintenance costs and to perform required associated facility cleanup. DOE will realize a total of about \$1.8 M of savings in facility maintenance and cleanup costs during the FY 1999-2002 period. This Pilot also supports the goal of assisting local economic development activities by providing potential alternative employment opportunities.

II. Funding Schedule:

<u>Program Activity</u>	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
revenues from leases/sales						
less expenses to prepare for leasing/sales	\$0	\$705	\$1,115	\$1,440	\$1,644	\$1,644
less landlord support	\$0	\$353	\$205	\$163	\$102	\$0
Subtotal	\$0	\$352	\$558	\$720	\$822	\$822
less returned to Treasury	\$0	\$0	\$352	\$557	\$720	\$822
New BA	\$0	\$0	\$352	\$557	\$720	\$822
	\$0	\$0	\$0	\$0	\$0	\$0

I. Performance Summary - Accomplishments:**FY 1997** **FY 1998** **FY 1999**

<u>Prepare for Leasing/Sales</u>	\$0	\$353	\$205
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Planning for the Facilities Reuse Pilot began in FY 1997. Funds in FY 1998 were used to prepare the first buildings for leasing. Initial leasing arrangements were for buildings in the TNX area and various manufacturing facilities in the M-Area. Leasing goals for FY 98 leasing are for 36,000 square feet of space in TNX and 56,000 square feet in M area. FY 99 goals are for an additional 23,000 square feet and 55,000 square feet in TNX and M areas, respectively.

Funds will be used to pay for: 1) lease marketing/sales costs; 2) lease preparation and closure costs (including DOE high risk reviews, safety and environmental analyses; license and permit preparation; procedure writing and site-lessee interface documentation; and legal and procurement/lease support documentation); 3) minor radiological and hazardous materials cleanup (including minor equipment decontamination and radiological surveys); 4) waste removal costs; 5) process

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
equipment removal and/or relocation costs; 6) utility repair/refurbishment; 7) roof and other building repairs and partitioning of lease areas from other site responsible areas.			

Funds will also be used to carry out radiation monitoring, utility disconnection, crating, packaging, and associated labor as well as other high risk reviews of personal property to be sold or otherwise disposed of and to carry out other disposal activities necessary to the disposal.

<u>Incremental Landlord Support</u>	\$0	\$352	\$558
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Additional activities which are required to provide normal landlord functions to a leased operating/occupied facility. Expenses included here are above those necessary to maintain a shut-down, unoccupied facility. These costs include: 1) administrative expenses; 2) preventative and responsive maintenance of building utility systems (electrical, heating, drains/sewer, water, lighting, etc.); 3) additional safety and environmental oversight.

**DEFENSE ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT
ASSET MANAGEMENT PILOT PROJECTS**

DISPOSITION OF UNNEEDED ASSETS (ROCKY FLATS)

I. Mission Supporting Goals and Objectives:

This Pilot involves the disposition of unneeded equipment and material at the Rocky Flats Environmental Technology Site (RFETS). Proceeds from these sales will be used to prepare additional assets for disposition and to carry out such additional dispositions. The objective of this Pilot is to have a self-sustaining process to realize accelerated disposition of approximately 100,000 pieces of machinery, tools, and equipment.

Proceeds will be used to carry out radiation monitoring, utility disconnection, crating, packaging, and associated labor, as well as other high risk reviews of property to be sold and to carry out other activities necessary to the disposal. Site projects disposal of 10,000 items per year for each of the five year period covered by the Pilot.

The Pilot supports the Asset Management goal of reducing the costs of operating the DOE complex by leveraging excess assets to further reduce inventories. Removing property from the buildings in which they are housed will allow these buildings to be decontaminated and decommissioned, thus reducing the costs of the mortgage associated with this site. Accelerating the disposal of this personal property will reduce the outyear surveillance, maintenance and other costs of carrying these assets, which are deteriorating and becoming less valuable over time. The DOE will realize an estimated \$4 million of savings in management costs associated with the inventory and related facilities during the FY 1999-2002 period. This Pilot also supports the goal of assisting local economic development activities as some of the assets to be disposed under this Pilot will be used by the local Community Reuse Organization as an incentive for companies to locate in the area.

II. Funding Schedule:

<u>Program Activity</u>	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
revenues from sales	\$0	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
less management and planning	\$0	\$800	\$800	\$800	\$800	\$800
less budget year disposal expenses	\$0	\$5,500	\$5,500	\$5,500	\$5,500	\$8,200
Subtotal	\$0	\$2,700	\$2,700	\$2,700	\$2,700	\$0
less returned to Treasury	\$0	\$2,700	\$2,700	\$2,700	\$2,700	\$0
New BA	\$0	\$0	\$0	\$0	\$0	\$0

III. Performance Summary - Accomplishments:

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>Management and Planning</u>	\$0	\$800	\$800

Planning was started in FY 1996 as part of an overall initiative to streamline and accelerate asset disposition at the site in support of EM Ten Year Plan goals. A contract, designed to improve revenue generation over historic government disposal practices, has been signed with a private asset liquidation company. Arrangements are also in place with the local Community Reuse Organization as a significant portion of the excess assets are planned for disposition with their help.

Budget Year Disposal Activities**FY 1997****FY 1998****FY 1999**

FY 1999 will be the second year of a five year effort to dispose of up to 100,000 pieces of personal property as part of the overall shut down of the site. Sales will be determined in coordination with facility milestones included within compliance agreements entered into with the State and Federal EPA and safety related agreements. Funds will be used to carry out radiation monitoring, utility disconnection, crating, packaging, and associated labor, as well as other high risk reviews of property to be sold and to carry out other activities necessary to the disposal.

\$0

\$5,500

\$5,500

DEFENSE ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT ASSET MANAGEMENT PILOT PROJECTS

NATIONAL ELECTRONICS RECYCLING PILOT PROJECT (OAK RIDGE)

I. Mission Supporting Goals and Objectives:

This project authorizes the creation of a National Electronics Recycling Pilot in Oak Ridge. The goal of this Pilot is to incubate a competitive domestic recycling industry by leveraging excess DOE facilities and scrap. The Pilot would entail one or more companies locating in excess facilities at the Oak Ridge East Tennessee Technology Park. Relying upon feedstock initially from DOE and others, the company/companies would be responsible for: 1) collection and transportation of excess electronic scrap; 2) refurbishment and resale; 3) component disassembly and marketing; 4) precious and other metal recycling; 5) plastics and glass recycling; and 6) innovative product development.

Excess electronic scrap is becoming a major issue within this country and overseas. European countries are increasingly responding to the growth in the volume of electronics by banning their disposal and mandating "take backs" by electronics manufacturers. In this country, EPA has focused on the problem of excess electronics as part of their Common Sense Initiative. The industry estimates that over 70% of existing excess electronics are being held in storage. Particularly for large organizations, including Federal agencies, that statistic translates to increased warehousing costs and downstream waste disposal costs. Research suggests that an industry to address this growing problem is on the horizon, and that a Pilot is required to focus the needed research and policy implications. The need for such a Pilot was a key recommendation of a joint government/industry workshop held in San Jose, California in August, 1996.

This Pilot involves a triage operation with refurbishment and resale of excess electronics as the first step. Markets exist for some older equipment, however, finding them will require a strong knowledge of the electronics secondary markets. Several companies currently specialize in this area. For equipment which is not suitable for resale, the next step is disassembly for marketable components (e.g., disk drives). Some domestic companies exist which provide this service. After the marketable components, the value of the remaining inventory is its basic material content. Electronic scrap is composed of metal, plastic, and glass. The most valuable materials are the metals. Among these metals are precious metals (primarily gold), aluminum, iron, copper, and small amounts of other metals. A number of metal recyclers exist in this country; most are focused on recovering precious metals. There are few companies in this country which economically recycle plastics from electronics; most view plastics recycling as uneconomical. There are even fewer companies exploring economic means of recycling this glass, which has a relatively high lead content.

The Pilot would integrate these operations bringing the more profitable aspects of refurbishment/resale together with the currently uneconomic glass and plastics recycling. This integration, combined with research into more economic means of recycling and an aggressive, innovative product development effort, should improve the overall project economics.

DOE's major contribution to the Pilot will be in foregoing any lease revenues for the Oak Ridge facilities in addition to DOE excess scrap pending profitability of the Pilot (estimated at 3-5 years). Any revenues obtained by the Pilot will be reinvested by the project into research for more efficient recycling technologies, and to offset costs of collection and project management. Once profitability is reached, DOE and the other participating Federal agencies should realize a revenue stream from future excess electronic recycling.

DOE benefits by the creation of a market for their excess electronics, a reduction in warehousing costs, and the avoidance of hazardous waste disposal costs. DOE also benefits from reducing the footprint at Oak Ridge and creating employment opportunities for displaced workers. This Pilot also supports the goal of assisting local economic development activities by providing potential alternative employment opportunities in the East Tennessee area.

II. Funding Schedule:

<u>Program Activity</u>	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
revenues from sales/leases						
less lease-related expenses	\$0	\$0	\$0	\$0	\$0	\$0
less equipment disposition expenses	\$0	\$0	\$0	\$0	\$0	\$0
less research expenses	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0
less returned to Treasury	\$0	\$0	\$0	\$0	\$0	\$0
New BA	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0

III. Performance Summary - Accomplishments:

FY 1997

FY 1998

FY 1999

Planning

Planning for the National Electronics Recycling Pilot was initiated in late FY 1996 and continued throughout FY 1997. The need for such a Pilot was identified as a recommendation from a DOE sponsored industry workshop held in San Jose, California in August 1996.

\$0

\$0

\$0

DOE has held follow-on discussions with both electronics manufacturers and material recyclers concerning the need, viability, and format for such a Pilot. DOE has also held discussions with other industrial concerns which either find themselves in the same position as DOE, (i.e., holding large inventories of unneeded electronics) or are candidate purchasers of the products of the Pilot. These discussions have identified two areas where additional focus is needed; 1) size and nature of available inventories, and 2) technology gaps. DOE is pursuing a course of action to address both of these areas.

Leasing

DOE Oak Ridge will make space available for the Pilot within the East Tennessee Technology Park (ETTP). The ETTP is the focus of the Vision 2010 Initiative, the goals of which are the defederalization and reindustrialization of the Oak Ridge site. Leasing is expected to be performed during FY 1998. Leasing arrangements would be through the local Community Reuse Organization.

\$0

\$0

\$0

Disposition

DOE would commence shipping excess electronics to the Pilot as soon as the private concern(s) are operational, currently projected in FY 1998.

\$0

\$0

\$0

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
<u>Research</u>	\$0	\$0	\$0

Much of the nation's electronic scrap is considered a hazardous waste for disposal purposes. Projections of the growth of this waste suggest the disposal is a national concern. In developing this Pilot, DOE recognizes its role as one of facilitating and focusing industry's research in this area by providing a unique platform.

**DEFENSE ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT
ASSET MANAGEMENT PILOT PROJECTS**

Explanation of Funding Changes from FY 1998 to FY 1999

Because the program does not rely on appropriated funds, there is no change in appropriated funding between FY 1998 and FY 1999 which would both be \$ 0.

There are expected to be a decrease in revenues between those two years which reflects differences in the value of the assets available for disposition. There would also be a corresponding decrease in the costs of making those assets available.

**DEPARTMENT OF ENERGY
FY 1999 CONGRESSIONAL BUDGET REQUEST
DEFENSE ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT
ASSET MANAGEMENT PILOT PROJECTS**

PROGRAM DIRECTION

The Asset Management Pilot Projects will be managed by the staff of the Office of Worker and Community Transition. That Office has already included the asset management functions in its request for program direction funding.